

**Recent Developments/Potential Developments:**

- Formation of MSFDC;
- Potential Acquisition of American Express by Citicorp.

Both of them have/may have significant implications for Visa. However, while in a short-term, Citicorp/American Express merger would potentially create a greater external shock to our system/generate more disruption, formation of MSFDC deserves more attention from us and our Members.

Key reasons/differences:

MSFDC *has been* formed, while the merger between CCI and AXP is only rumored and may never happen. (We therefore deal with a Reality versus a Potential Event with an unknown probability of occurrence);

CCI/AXP merger could face significant regulatory obstacles;

Depending on our position, we could mitigate or even eliminate potential negative implications of the CCI/AXP merger for Visa system;

One of the potential outcomes of the merger could be the end of duality, which may be a welcome development for Visa;

On the other hand, it is practically impossible to identify positives of formation of MSFDC:

it clearly creates an open challenge to our Visa e-Pay offering;

it may jeopardize the future of Integrion;

it is an element of the long-term effort on the part of FDC and Microsoft to become a force in the payment system with a potential ultimate objective of disintermediation of banks (and should be positioned as such to our Members).

